

PORT OF PORT ANGELES
Clallam County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Operating Revenues Should Be Sufficient To Service Debt

The port improperly defeased revenue bonds by using tax revenues as described in our audit Report No. 56695, dated November 2, 1994. The port has continued to service general obligation bonds that replaced the revenue bonds with tax revenues.

RCW 53.34.070 states in part:

. . . the commission of any district issuing revenue bonds . . . shall establish, maintain, and collect rates, tolls, rents, and charges . . . sufficient to produce an amount . . . to pay the principal of and interest and premium, if any, on all revenue bonds and notes payable

RCW 53.40.040 states in part:

. . . tax revenue of the port district may not be used to pay, secure, or guarantee the payment of the principal of and interest on such bonds
. . . .

During 1994 the port used tax revenue to redeem principal and interest of \$189,096.

We recommend the port ensure operating revenues are sufficient to service debt and that tax revenues be used only for properly issued general obligation debt.

2. The Port Should Ensure Port Employees Not Conduct Private Business On Port Time

The John Wayne Marina harbormaster conducted private business on port time by operating his diving business, Underwater Services, performing underwater maintenance, repair, and cleaning work for boat owners at the marina. He used port facilities, equipment, and property to conduct his private business. Specifically, we noted the following:

- a. The harbormaster received a discount of 20 percent off the retail price on all parts and supplies he purchased at the Bosun's Locker, a store at the marina. The store did not provide this type of discount to other port employees or customers. He purchased \$976.52 of supplies from August 1994 through June 1995 and received a discount of \$195.30. He charged his dive business customers full price for the supplies.
- b. The harbormaster office and office equipment was used to schedule diving appointments with marina tenants and other boat owners during his work shift.
- c. The port skiff was used to work on his customer's boats.
- d. Personal diving equipment was stored at the marina.

RCW 42.20.010 states in part:

Every public officer who shall . . . (3) Employ or use any person, money, or property under his official control or direction, or in his official custody, for the private benefit or gain of himself or another; shall be guilty of a gross misdemeanor

The harbormaster benefitted from his position by using port facilities, equipment, and property for personal use.

We recommend the port:

- a. Implement the necessary internal controls and policy to ensure its employees not conduct private business during port time or use port equipment and facilities for personal gain.
- b. Have the port attorney review these matters to determine if any further actions are necessary.

3. The Port Should Improve Internal Controls At The John Wayne Marina

During our audit we noted the following internal control weaknesses at the marina:

- a. Controls over electrical service should be improved. Electrical service is available at all times to all slips in the marina. The port relies on marina tenants to notify the harbormaster when they plug into the service. The harbormaster did not periodically review the electrical usage or hookups at all slips to determine if tenants were using electricity without paying. In December 1994, the port auditor conducted an internal review of electrical hookups at the marina. His review identified two boats that had not been charged for a period of more than two years and another boat that had not been charged for over a year.
- b. Boats have made use of the marina without paying transient moorage. During September through December 1994, 11 transient boats left without paying. The harbormaster did not bill the boats using the vessel identification number obtained by the nightly security walk-through. One boat used transient moorage for seven days without making any payments and without being billed until two months later.
- c. The night security personnel walk through the marina to inventory transient boats and also have access to transient moorage payment envelopes. Access to these envelopes allows the security officer access to the payments. This increases the risk that payments could be misappropriated without detection.

We recommend:

- a. The port should institute the necessary procedures to ensure all electrical usage is billed and tenants are paying for their electricity.
- b. Transient boats that leave without paying moorage should be billed in a timely manner.
- c. Moorage payments should be dropped in a lock box inaccessible to night security.

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Schedule Of Federal Findings

1. Port Officials Should Improve Administrative Controls To Ensure Compliance With Federal Standards For Grants

During our previous and current audit, we noted administrative control weaknesses which resulted in noncompliance with Federal Aviation Administration (FAA) Airport Improvement grants.

We were not able to account for inspection costs of \$15,185, which we have included in the accompanying Schedule of Questioned Costs.

OMB Circular A-87, Attachment B, Section B.10.b states in part:

. . . amounts charged to grant programs for personal services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and provided in accordance with generally accepted practice of the State, local, or Indian tribal government. Payrolls must be supported by time and attendance or equivalent records for individual employees.

The port was not able to identify specific expenses to individual awards and, therefore, the accounting records are not sufficient for auditing individual FAA grants. However, in the aggregate we were able to account for all expenditures except as noted above.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*: Federal Agency Implementation of Common Rule, Subpart C. Section 20 (b)(2) states in part:

Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlay or expenditures, and income.

Failure to comply with explicit federal requirements may jeopardize the port's eligibility for future federal financial assistance.

We recommend the port maintain adequate documentation to support costs claimed for reimbursements from the federal government and provide the necessary accounting for all costs charged to each project. We also recommend the port resolve the questioned costs with the FAA.